

Executive Registry

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Two years ago we at the Research Institute prepared "A Time Map of the Sixties" in which we outlined our economic predictions for the decade to come.

In 1959, you may remember, the coming decade was widely hailed as "The Fabulous Sixties" -- "The Soaring Sixties". It was in this climate of unbridled optimism that we first predicted the decade's early recessionary characteristics.

Now, two years later, the decade's first recession has come and gone. The doubtful beginning of the Sixties and the magnitude of international problems which confront the United States have left many former optimists uncertain and distressed.

As a result we have decided that it would be useful in the new climate to re-evaluate our earlier Time Map and the decade with which it dealt. And it is now our pleasure to present the predictions of 1959 re-assessed after nearly two years of the Sixties have passed.

I hope you will find this "New Time Map of the Sixties" as interesting as the one which preceded it.

Sincerely,

Leo Cherne



REPORT TO MANAGEMENT

## The New Time Map of the Sixties

Many businessmen now view the future with doubt, hesitation, uncertainty, instead of the unchallenged optimism that prevailed just before the start of the decade. To guide Members, the Institute reassesses its 1959 economic predictions for the Sixties, and again charts the course for profitable management.

(EXECUTIVE REPORT FILE \_\_\_\_\_ C \_\_\_\_\_)

R E S E A R C H     I N S T I T U T E     O F     A M E R I C A ,     I N C .

In 1959, when the Research Institute prepared its original TIME MAP OF THE SIXTIES, the economic climate, despite the steel strike, was good. Business was climbing out of the '58 recession with amazing speed. Forecasters saw more of the same ahead.

In Washington, Republicans were jubilant, expecting that the second Eisenhower term was only the forerunner of a long Republican era. Khrushchev had shown his broad peasant's smile across the land. The "Spirit of Camp David" held sway. Limited disarmament was felt to have a real chance.

Many reasons led the Institute to plot the topography of the Sixties at that time. Foremost was our conviction that many businessmen, in viewing the mountains ahead, would overlook valleys and plateaus in between. As we said, "You'll have to be prepared to roll with the punches, ride out intervals of little or no growth, and then be ready to cash in on the intervals of rapid expansion."

Then, in 1960, things began to change. The Summit blew up. The recession caught many forecasters with their predictions down. Widespread overcapacity and ever-toughening competition intensified the relentless profit squeeze, which became *the* central fact of business life for many companies.

A new Administration committed to the "New Frontier" has had to face mounting cold war crises . . . the Congo, Cuba, Laos, now Berlin. All these crises point up an unmistakable fact: the U.S. faces a generation of conflict. Space and missile programs on the drafting boards add up to the staggering total of \$50 billion. Requirements for foreign aid have not only failed to decline, but are growing rapidly.

All this has produced a new mood in business — not exactly pessimism, but doubt, uncertainty, hesitation. This mood, if it persists, is bound to be reflected in a lack of vigorous action that can hurt individual companies — and the economy.

In the light of all that's happened in the past two years, we have subjected our original TIME MAP to detailed re-examination. In reporting to you, we have summarized the original TIME MAP forecasts (on pages 6-7), not to indicate the accuracy of our '59 analysis, but to provide perspective. Like the

original version, the new TIME MAP must be viewed in relation to the current domestic and international scenes. Cold war is certain — hot war a possibility. Political fortunes change rapidly. The shape of tomorrow's economy will be affected by non-economic forces that cannot be measured precisely today.

### *What's Changed?*

Our projections have NOT been scaled down; the topography of the Sixties looks even a little more impressive than it did two years ago. Total growth over the ten-year period will be a bit more than we anticipated, and may come a bit sooner. The real change is in federal spending. The assumptions of stable defense outlays, declining foreign aid, slow expansion in space exploration programs — all these are overboard, tossed out by Moscow's determination to challenge the U.S. head-on in a cold war.

Other assumptions have been tossed over because of the urgent need to accelerate the rate of U.S. growth and cut the heavy "structural" unemployment rolls — and because the new Administration is pledged to other extensive social welfare programs.

In fact, before the decade is out, total government spending — federal, state and local — may well force some hard decisions *between* defense and welfare programs. The pressure for such decisions could come to a head in the 1968 Presidential race.

### *Reminder: What the Time Map Does*

The original TIME MAP looked at the Sixties in terms of seven major business factors: population, consumer hard goods, consumer soft goods and services, housing, business capital spending, federal spending, and state and local government spending. This Report adjusts earlier findings if necessary.

Even in the summer of 1961, this is a long look ahead. This Report is *not* intended to pinpoint exact dimensions. It is designed to suggest where and when strengths and weaknesses are likely to appear, for the economy and your own industry. Its purpose is to locate guideposts for profitable management . . . in a decade full of growth and change, promises and problems, dangers and opportunities.

## REPORT TO MANAGEMENT

## The Early Years: 1960-1963

The remainder of the early Sixties will continue to be a consumption economy, with less than normal growth in investment, but with a gradually rising rate of government spending. There will be no real boom, and rather than inflation, a firming of prices. Business will be getting back to high operating levels, but capacity itself will not be growing, and keen competition will continue. The private sector will continue as mainly a replacement market, with the big marketing payoffs concentrated in new products, or the imaginative redesign of existing lines.

The TIME MAP divides the decade into thirds, as you may recall. Before proceeding with the specific segments of the 1960-1963 period below, you may wish to refresh your memory and review the total picture of the decade by turning first to the summary chart on the next two pages.

*Population*

The projected trend remains substantially as we indicated in the original TIME MAP. While the total population continues to grow at about 3 million a year, the increase is at the young and old ends of the age spectrum, with very little growth in the middle. The marriage rate has passed its long-time low point, but rises only slowly during this period. Jobs continue to be hard to find for new entrants into the labor force, and some delay in marriages is likely to continue for the next two years. The key factor—the rate of new household formation—remains low.

For the company personnel man, life is a little easier in some ways, more difficult in others. In the early Sixties, job applicants are more numerous relative to the number of vacancies, and the pressure on wages so characteristic of the Fifties has abated. Despite talk of a steel strike in mid-1962, upward pressures on the wage level are not as intense as they were. The big hiring problems are at the middle and upper brackets of management, in the market for skilled personnel, and in obtaining and keeping experienced supervisors.

*Consumer Hard Goods*

The original TIME MAP labeled this the toughest, most competitive area of business in the early Sixties—and so it is. The period is essentially one of replacement markets, with little or no growth. Yet these are being served by huge capacity. The result is price pressure for most businesses. The slow increase in the number of families has focused marketing efforts on second-unit merchandising, and profit margins have continued to shrink.

No sharp improvement is likely in these markets in the next few years. The trend in household formation works against the possibility; and so does the debt position of consumers. Hard goods sales depend heavily on instalment credit, and the latest \$10 billion increase in outstanding instalment debt cannot be digested for a while. The only good news is that excess capacity in consumer durables is being reduced somewhat, and profit margins should at least hold their ground from here on.

*Consumer Soft Goods and Services*

The promises described for this period in the original TIME MAP are already being fulfilled; relatively high saturation levels in hard goods have pushed consumer funds into soft goods and services. Spending for services has risen sharply as a percentage of total consumer outlays, and will continue this relative gain throughout the remaining early years. Soft goods performance has been slightly less favorable, but it is in an upturn now and substantial gains are in prospect. Until the big durables markets reawaken later on, soft goods and services will continue to win the competition for the consumer dollar.

*Housing*

Here, too, the TIME MAP was very close to the facts for the early Sixties. The rate of housing starts declined irregularly all through 1960. One important unforeseen change is on the way: the Administra-

tion's housing law is likely to put some new vigor into home building by early 1962. The federal government thus is moving into the housing area more heavily than would have been expected two years ago. Between urban redevelopment, extended mortgages, additional support from the Federal National Mortgage Association, and deliberate efforts to hold the mortgage interest rate down, a housing recovery can be on its way within a year. This is a prime social target of the new Administration. Housing demand itself is sluggish, however, and will stay sluggish, even though the bait is more attractive.

For suppliers of the home building industry, this means a turn for the better, some lessening of intense price competition, and so more profits. In the next few years, the fastest growing segment of the market will continue to be, as the original TIME MAP indicated, apartment units rather than single family homes. But even the single family category will begin growing again before the end of the period. And the repair and modernization market will be in for a modest advance of its own, partly in response to more liberal arrangements on modernization loans. In brief, not a housing boom, but perhaps a mild up-tilt in the prospects we saw earlier.

### *Business Capital Spending*

Thus far the indications provided by the TIME MAP are in line. The rate of business outlays is now recovering from its mild decline of 1960, but no real boom is yet in sight. Capacity in most major industries is still abundant, and given today's tax rates, profitable new investment opportunities are hard to find. Spending is still dominated by cost cutting, taking advantage of new technology, replacing inefficient facilities — rather than expansion. Real tax incentives would expand the capital goods market quickly and substantially; but in the absence of these the big rise is still a couple of years off.

### *Federal Spending*

Here is the most uncertain area. Major programs in defense, housing, education, depressed areas and worker retraining are all either enacted or in the

legislative hopper. They add up to a sharp advance in total federal spending, beyond the levels envisioned at the time of our earlier Report. When these programs will really take hold is hard to appraise, but this will definitely be before the end of the early years. With both expanded social and defense programs coming, an increase amounting to some \$4 billion a year in federal purchases of goods and services, between now and mid-1963, seems foreshadowed.

Right now, and continuing through these early years of the Sixties, there will be enough slack in the economy to handle this large advance in federal spending. It would be a serious mistake to treat the developments in Washington as a clear indication of inflation within the next two years; that real danger comes later. Nevertheless, the rise in the outflow of federal funds will put a floor under the price level, and bring an end to much of the price weakness that has characterized many segments of business in the last year or two. In particular, look for firmer markets in construction materials and electrical components.

The balanced federal budget, a realistic hope two years ago, is now a lot farther away. A general tax reduction, held out as a strong possibility by the new Administration, now seems dead. In fact, tax increases are more likely if the cold war continues unabated. No important easing of credit should be expected and interest rates are likely to be in a slow ascent throughout the period.

### *State and Local Government Spending*

The trend is definitely up, as indicated in the original TIME MAP. Thus far, the rise has been financed by the larger tax base, some increases in rates, and some extensions of taxes. In the next few years these financing methods will be further supplemented by a rising volume of grants-in-aid from the federal government. More outlays for higher education (for construction, books, other teaching facilities) are on the way. Here is one of the more promising markets of the next few years. Higher spending for roads is due as well, although the rate of increase will not be as dramatic.

## Time Map of the Sixties — The Early Years

<b>KEY</b> The importance of each major factor listed in the first column is described briefly in the second. The darkest color shade indicates strongest economic support, white the weakest.		1960 to 1963	
		Original Forecast — '59	Review — '61
<b>POPULATION</b>	Its effects on the market make this the most important single dynamic in the long-run economic growth of the country.	Practically no growth in the prime earning and spending age group (25-to-44). Sharp increases among the younger and older population.	ACCURATE
<b>CONSUMER HARD GOODS</b>	Accounts for only 10% of national output. But shifts in durable goods spending are a major determinant of recession or expansion.	The market is now intensive rather than extensive. It depends less on new customers than on replacements, new and improved products.	ACCURATE
<b>CONSUMER SOFT GOODS &amp; SERVICES</b>	Outlays for food, clothing, medicine, travel, etc. make up about 55% of national output. Though stable, sheer size makes it significant.	Important years for food, apparel, entertainment, personal service. Reasons: more working women, changes in fashion, population mix.	ACCURATE, but with more stress on services.
<b>HOUSING</b>	Only 4% or 5% of national output, it is a key business force because scores of industries are dependent on housing activity.	The emphasis is increasingly on apartment units and "urban redevelopment", more than on single-family suburban homes.	ACCURATE, but with some uptilt from the Housing Act.
<b>BUSINESS CAPITAL SPENDING</b>	Money invested in equipment and facilities varies greatly from year to year, with great impact on the direction of the entire economy.	Outlays rise to new highs, though year-to-year gains are small. Stress is more on modernization and cost-cutting than on new capacity.	ACCURATE
<b>FEDERAL SPENDING</b>	A major item in the total economy since World War II. Sudden changes in the rate of outlay play a key role in the picture.	Total federal activity is not climbing as fast as the private economy. Fairly stable defense budgets offset growing welfare outlays.	Spending higher. Balanced budgets no longer a real hope.
<b>STATE AND LOCAL GOV'T SPENDING</b>	A minor item just a few years ago, total state and local spending will undoubtedly exceed federal spending in the Sixties.	The trend is up, based on mounting needs for education, roads, etc. Non-federal bodies are a widening market for many businesses.	ACCURATE
<b>HOW THE PICTURE ADDS UP</b>	The over-all economic climate of the period, based on our staff's assessment of the effects of each major factor.	A consumption economy, with moderate over-all growth. No boom, and no dangerous boom psychology, but good business most of the time.	No change in this basic picture of good business.

## Time Map of the Sixties — The Later Years

1964 to 1966	
Original Forecast — '59	Review — '61
A growing number of young adults; teen-age groups expanding even more dramatically, with increasing impact on business.	ACCURATE
The market is expanding and shifting back to first sales. Signs of a hard goods boom visible, but business effects yet to be felt.	ACCURATE
Strong economic position is retained, due mainly to continued growth in income and population. High discretionary spending adds boost.	ACCURATE
New construction matches the boom rates of the mid-Twenties, reflecting the turnaround in family growth. Apartments still dominate.	ACCURATE, but add new growth in single-family homes.
Industrial capacity that was excess is now largely absorbed; need for new plant is growing. Danger sign: a premature spending boomlet.	ACCURATE
Non-defense allotments are rising, along with the general economy, but defense continues to get a smaller share. Some tax easing.	All spending rising, especially space, education and foreign aid.
Spending for schools and other services now rising rapidly, and total outlays climb steadily. Local taxes keep going up.	ACCURATE
Transition period — from a high-consumption to a high-investment economy. Danger of a major recession from conjunction of weak spots.	Still a transition period—but potentially even more hectic.

1967 to 1969	
Original Forecast — '59	Review — '61
The 200 million mark broken, population still burgeoning. The "deficit generation" of the Thirties is moving into the 40-and-over age group.	ACCURATE
Boom strength develops from the double effects of new households and expanding replacement demand for obsolescent appliances.	ACCURATE
Sales, though rising, represent a shrinking percentage of total consumer spending. The market is now less dynamic than in earlier years.	ACCURATE
A boom unlike anything seen in over a generation. Minimum need: 1.5 million units a year; 2 million units annually a real possibility.	ACCURATE
One of the most dynamic factors in the boom of the late Sixties. Expanding markets and bright prospects bring heavy investment.	ACCURATE, but financing the expansion will be a problem.
Lags farther behind the rest of the economy, which is surging ahead. Limited defense needs in a missile age trim the government market.	Federal spending nearing conflict with private economy.
Unending demands for more and more community services, higher wages, better facilities. Total being pushed above federal spending.	ACCURATE, but will be a political problem by the late Sixties.
The promise of the "Fabulous Sixties" here becomes reality — a boom of unprecedented strength. Spending, investment high and rising.	Essentially the same forecast—real boom. But serious inflation may appear.

## REPORT TO MANAGEMENT

## The Middle Years: 1964-1966

The original TIME MAP called the middle years a "transition economy" — a gradual shifting of gears from a consumption economy to an investment economy. This portrait still holds. Toward the close of the period, however, some of the characteristics originally ascribed to the later years of the decade may begin to make their appearance more forcefully than seemed likely two years ago.

For one thing, the still-modest growth in private spending will be superimposed on a much higher level of public spending. Also, a new price trend will be taking shape by the mid-Sixties — a broad, pervasive rise. This will not be very rapid, since it will still reflect increasing costs more than inflationary demand. But if the upcreep gets out of hand, a serious recession is possible before the end of this transition period.

*Population*

Growth will still be concentrated in the teenage and young adult groups. But there will be some increase in the rate of entrants into the labor force. With each passing year, the trend will gain momentum as more of the postwar "baby boom" reaches the labor market. The newcomers, by and large, will be young and inexperienced. Management will be faced with the problem of training these new workers while still short of skilled employees and supervisors.

Demand for labor will largely keep pace with the supply. But "structural" unemployment, particularly among older and unskilled groups, will remain a chronic problem for government and business. The shorter workweek may well become a serious item in labor-management negotiations. Household formation will be at a low rate, but will increase significantly in the latter portion of the period.

These factors add up to an excellent market throughout the period for products and services aimed at children up through the teen ages. Toward the close, there will be a sharp rise in demand for all the products and services new families use.

*Consumer Hard Goods*

As a new generation seeks to raise initial family capital, consumer durables markets will begin to gain from the early stages of a new instalment credit boom. This means a rising sales rate for many first-time major items. At the same time, replacement markets for a wide range of consumer goods will grow, since much of the heavy production immediately after World War II will have reached the end of its useful life. By 1965, for example, these factors should result in new sales records for basic major appliances.

Consumer hard goods markets should be stimulated during this period, too, by the many new or greatly improved products on the drawing boards or just beginning to be seen. The trend to built-in appliances, even furniture, will develop further. Color television, stereophonic sound, home dry cleaning, should boom. The new car market may well be distinctly split between the Number 1 and Number 2 family cars. New materials and components will radically alter many of the consumer items familiar today. Stay-put management will find competitive pressures on existing lines increasing rapidly.

*Consumer Soft Goods and Services*

These years will be a "golden age" for all soft goods. More income, and more people will mean still bigger markets.

The competition between "instant", pre-cooked and frozen foods will be intensified as the time required to prepare frozen foods is cut by the new infra-red ranges now being used only by commercial establishments, airlines, etc. Consumers will be tempted by an even greater variety of foods and many of today's gourmet dishes will become staples. In fact, variety will be the keynote of the period — in apparel as well as foods, in cosmetics, recreation and entertainment.

All the major service industries—medical, recreation, travel, education— will continue, of course, to grow substantially.



Yet management in soft goods industries will do well to keep a sharp eye on the future for, within a few years, the rate of increase in total sales will slow to a walk — and the bulk of the added consumer income will again go into hard goods.

### *Housing*

Heavy activity in government housing will continue throughout this period. In addition, a new boom in private housing will begin to appear. Family formation will have passed its trough, and started up. Apartment building will peak out, as the traditional single-family dwelling begins to regain some of its lost ground. The growing and shifting population will be sparking a revolution in the location of retail units, in central-city transportation facilities, and in real "urban renewal". More and more communities will be facing up to the planning needed for the burst of growth still ahead.

As the population continues to spread over the countryside, local governments will find it increasingly difficult and expensive to provide utilities and services. Marketers will find it necessary to do more than add a few small branches. Suburban outlets catering to the total needs of these groups will overshadow, in many cases, the big urban retail centers.

### *Business Capital Spending*

Here too, plans will be shaping up for a great expansion ahead. Alert managements will be anticipating an emerging pressure on output not seen since World War II. Gradually, the emphasis will spread beyond outlays for modernization to expansion. This means that "brick-and-mortar" projects will begin to recover a more normal share of total plant and equipment expenditures.

The problem for management is one of timing—to guard against "too much, too soon". Any widespread anticipation of actual requirements for new productive capacity would increase the danger of a serious recession in the mid-Sixties. Raising capacity gradually will result in a much sounder footing later on, and enhance the long-run profit picture, especially for equipment makers.

### *Federal Spending*

The total will clearly be rising, but the composition of the expenditures is somewhat more difficult to foresee. By the mid-Sixties, conventional armament requirements should be back onto a largely replacement basis. These outlays may still be high, however, as new weapons, vehicles, clothing, are developed.

Missiles will continue to take the greatest single share of the defense dollar. But "civilian" space programs and foreign economic aid are the best bets for growth from now through the close of the decade. Another good bet is aid to higher education (college and graduate schools), where registrations will be in an unprecedented uptrend. Also expect an increasing volume of exports of capital goods to support a rising growth rate in underdeveloped areas. A substantial part of this will be financed by the government, but a growing share will be in the form of private investment, nursed along and supported by government guaranties, incentives, etc.

An important overhaul of the tax laws may well take place during the early part of this period. But no across-the-board slash that would reduce the total tax burden or decrease government revenues is in the cards.

### *State and Local Government Spending*

The only phrase to describe these expenditures during the middle years is "more and more"—with plans being made for still more ahead. Since local budgets and taxing powers will already be strained to the breaking point, these outlays will be increasingly financed through federal grants.

Marketers should be alert especially to the growing need for educational and medical facilities and services. By mid-decade, the potential business available will frequently support products designed specifically for the market, even special sales forces to contact local officials. And those who get in early will be in line for even more business as these outlays continue to grow in the later years of the Sixties.

## REPORT TO MANAGEMENT

## The Late Years: 1967-1969

The late Sixties now shape up as even more "fabulous" than seemed likely two years ago. This expansion, however, will be tinged by the danger of inflation, resulting from high levels of *both* private and public demands. If productive capacity and productivity do not grow fast enough to meet these demands, something is likely to give—and that something may well be the price level. Since the original TIME MAP was drawn up, this is the single most dramatic shift in the broad perspective for the late Sixties.

*Population*

By the late Sixties the population wave will be a torrent, flowing into the early adult years. This will produce the highest rate of marriages and household formation in a generation, with an accompanying overwhelming demand for homes and household goods. The labor force, too, will be growing at an unprecedented rate, as it receives the full effects of the surging expansion in the United States birth rate in the late war and postwar years. About seven million men and women will be added to the workforce between 1965 and 1970, four million of them in the 20-34 age group.

This tremendous increase in the young adult group will represent both a great opportunity and a critical challenge to business management. The opportunity, of course, will stem from the accelerating demand for products and services. The critical challenge will be to absorb this great influx into the workforce at a time when the new technologies are further reducing the number of workers required per unit of output.

Even with great strides in automation, large numbers of new workers will be needed to lift the level of production and provide the products and services desired. But it will not be enough to absorb the influx, and it is in this period that the drive for a shorter workweek will reach a climax. Many industries, especially those with more elastic workweeks, will move to the 35-hour week, and firms in all lines will feel the pressure for shorter work periods.

Labor costs, however, will rise, starting at the top. The shrinking pool in the more mature groups will cause competitive boosts in the highest wages, and inevitably this will produce a general shift upward all along the line. As a result, despite new sales records, the "profit squeeze" will remain a top priority management problem.

*Consumer Hard Goods*

These markets will form one leg of a soaring three-legged tower of private demand. The postwar sales records for consumer durables (largely set in the early Fifties) will be surpassed. The long-heralded "8-million car year" will arrive, along with new records for many other durable items whose growth seemed to have passed the peak. For most consumer hard goods, there will be an expanding new-sales market—on top of an already high replacement demand. For totally different reasons, the nation will experience an explosive growth like the postwar years of 1947-1955.

Lush sales, even of "last year's" models, will tend to reduce the pressure for new products. But alert managements, remembering earlier experiences, will maintain research and development at a high level in anticipation of a return to intense competition.

*Consumer Soft Goods and Services*

Continued growth can be expected in soft goods during this period, although it will not come close to the boom in hard goods. The increase in household formation will inevitably be translated into an increase in birth rate, and a real surge in infants' and children's wear (and other children's goods) will be emerging. Nevertheless, the durable goods markets will skim the cream of consumer income in these years, and soft goods will claim a declining *share* of the consumer dollar. Soft goods will also be fighting further growth in service outlays, in the form of medical bills, leisure and recreation spending, and other services associated with the newly developing family living patterns.

The growth in leisure and recreation spending, in fact, will be a major exception to the over-all trend in non-durables. Shorter workweeks, large groups of youngsters and senior citizens, and the generally high living standard, will combine to create a stronger demand for products and services in this category. Marketers who are ready to meet this demand will find rich rewards.

### *Housing*

This is the second leg of the private spending expansion. Home starts in the late Sixties may well reach an *average* of over 1.5 million annually, with peaks possibly approaching 2 million. Apartments will still claim a large part of the total new housing market, but suburban single family units will be built at an increasing rate. Financing will be made as easy as possible in a generally tight money market, by a government dedicated to equipping a new generation with its basic fixed investment. Mortgage financing and servicing will grow in importance among financial activities. Incidentally, the housing boom of the late Sixties should see the flowering of the truly prefabricated home — a development expected, but long awaited.

### *Business Capital Spending*

Here will be the third leg of the private spending boom. By the late Sixties, the combined growth of private and government demand will bring full utilization of the enlarged capacity then available. With demand straining against capacity, an expansion exceeding that of the late 1940's and early 1950's will appear in most industries. Prices of industrial capital goods (as indeed all prices) will be advancing. This will induce an anticipatory demand for plant and equipment. In addition, the technological payoff of current research and development outlays will come in this period, bringing an increase of investment in production facilities for new products.

In the original TIME MAP, few serious problems were seen in the financing of this much higher rate of capital spending. However, the revised prospect that government spending will be much higher than seemed probable before, and the likelihood of a resumption of inflationary price trends, now suggests that financing may be very difficult indeed, and very expensive as well. Management preparation for the capital spending of the late Sixties might wisely be made well in advance of the actual need.

### *Federal Spending*

Barring an unlikely change in the Administration in 1964, federal spending may well have swollen to the point of near conflict with needs of the private economy. Missile and space programs will represent a major component of the federal budget; social welfare programs begun earlier, with relatively modest expenditures, will now call for enormous outlays; and complicating the problems will be the fact that price tags on many of the goods and services purchased will be rising.

Despite these factors, the impressive growth of the economy (and thus of the tax base) may obviate the need for sharply higher tax rates. But prospects for tax *reduction* will not have improved.

Companies that bet on the rapid development of space age equipment and hardware will collect their winnings during this period.

### *State and Local Government Spending*

By the late Sixties, the spending of local governments will become an acute political issue. Population growth and rising demands will necessitate expansion in many public facilities and services normally provided by local governments. On the other hand the funds will be harder to come by than at any time since the Great Depression. By today's standards, this spending rate will be phenomenal, and some political reaction from dependence on federal aid is inevitable.

MEMORANDUM FOR: Mr. Dulles

*And/or*

The attached Time Map concerns prospects for the American economy during this decade based on an analysis of such factors as: population, housing, federal spending.

It doesn't touch much on international affairs.

*WE*  
WE

22 August  
(DATE)

FORM NO. 101 REPLACES FORM 10-101  
1 AUG 54 WHICH MAY BE USED.

(47)